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Internal audit and oversight

Report of the United Nations Office for Project Services Internal Audit Office on internal audit services to the organization in 2008*

Summary

The head of the United Nations Office for Project Services Internal Audit Office, through the Executive Director of the United Nations Office for Project Services, submits this activity report on internal audit and related services for the year ended 31 December 2008. Management's response to this report is presented separately as per Executive Board decision 2006/13.

2008 marks the first full year of operation for the Internal Audit Office. Previously, the UNDP Project Services Audit Section (under the overall guidance of the Director of the former Office of Audit and Performance Review) was primarily responsible for carrying-out audit and advisory services on behalf of the United Nations Office for Project Services. By early 2008, the Internal Audit Office was fully staffed and has significantly increased the internal audit coverage, continuing to enhance the overall internal control environment of the United Nations Office for Project Services.

Elements of a decision

The Executive Board may wish to:

(a) *Take note* of the annual report of the Internal Audit Office for 2008;
(b) *Take note* of the increased internal audit capacity within the organization;
(c) *Welcome* the increased internal audit coverage recorded by the Internal Audit Office during 2008;
(d) *Take note* of the decrease in percentage of qualified audit opinions in 2008, compared with 2007; and
(e) *Take note* of the annual report of the Strategic and Audit Advisory Committee for 2008 (in line with Executive Board decision 2008/37) and the revised terms of reference, incorporating recent Executive Board decisions.

* The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.

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Contents

Chapter		*Page*
I.	Introduction	3
II.	Role and functions of internal audit	3
III.	Approved annual internal audit work plan for 2008	4
IV.	Internal audit risk assessment model for UNOPS	4
V.	Highlights of activities during 2008	4
VI.	Significant issues noted by, or impacting, the Internal Audit Office during 2008	8
VII.	Advisory services	11
VIII.	Single audit principle	12
IX.	Operational issues	12
X.	Investigations	13
XI.	Summary of follow-up of 2005, 2006, 2007 and 2008 audit recommendations	13

Annexes (available on the Executive Board web page)

1. Table of high priority recommendations 2008
2. Audit recommendations unresolved over 18 months old
3. Strategy and Audit Advisory Committee annual report 2008
4. Strategy and Audit Advisory Committee terms of reference

I. Introduction

1. The Internal Audit Office is pleased to provide the Executive Board, through the Executive Director, with an activity report on the United Nations Office for Project Services (UNOPS) internal audit and related services for the year ended 31 December 2008. This report contains details pursuant to Executive Board decision 2008/13, specifically (a) a list of the key findings and the ratings of audit reports, (b) a table displaying unresolved audit recommendations by year and category, and (c) an explanation of findings that have remained unresolved for 18 months or more.

2. 2008 represents the first full year of operation for the Internal Audit Office. By early 2008, the Internal Audit Office was fully staffed and was able to significantly increase internal audit coverage of UNOPS compared to prior years, enhancing the overall internal control environment of the organization. The audit strategy of the Internal Audit Office during its first two years of operation – 2008 and 2009 – is to extend the coverage of audit to those UNOPS locations deemed as high and medium risk and to conduct functional audits of key operational areas.

3. The Internal Audit Office reports directly to the Executive Director of UNOPS and assists him in discharging his accountability. In this regard, the Internal Audit Office provides assurance, offers advice, recommends improvement and helps enhance the organization's risk management, control and governance systems. It also seeks to promote and reinforce tight internal controls and curtail risk within the organization. Finally, the Internal Audit Office endeavours to support management in the application of UNOPS general policies and objectives as described in the business strategy and the 2008-2009 budget strategy.

II. Role and functions of internal audit

Mandate, functions and standards

4. The original mandate of internal audit at UNOPS was described in the UNOPS financial regulations and related UNDP financial rules, applicable *mutatis mutandis* to UNOPS, which became effective 1 January 1995. UNDP financial rule 114.38 (corresponding to financial rule 103.02 in the latest version of the UNDP rules) defines the role of the UNDP internal audit office, which applied to the overall internal control mechanism of UNOPS.

5. The Internal Audit Office notes that effective 1 February 2009, the financial regulations and rules applicable to UNOPS changed, following Executive Board decision 2009/4 at the first regular session 2009, when new UNOPS Financial Regulations and Rules were presented by UNOPS management. In the opinion of the Internal Audit Office, this will not negatively affect its functional mandate.

6. In performing its internal audit function, the Internal Audit Office adheres to the standards of the Institute of Internal Auditors, as adopted by all internal audit services throughout the United Nations system. The mandate, function and standards of the UNOPS Internal Audit Office are contained in its charter, issued by the Executive Director as 'Organizational Directive 25', submitted to the Executive Board for review in 2008.

Reporting

7. Under the present UNOPS organizational structure, the Internal Audit Office is independent and reports directly to the Executive Director. Audit reports submitted to senior management contain observations in areas requiring improvement and recommendations to provide reasonable assurance regarding the achievement of

business objectives and compliance with internal control requirements. They serve as a tool for the general oversight exercised by the Executive Director and for the management of the audited units. In addition to the individual internal audit reports, an annual report of the activities of the Internal Audit Office is submitted to the Executive Director for presentation to the Executive Board.

Coordination with the United Nations Board of Auditors and other United Nations oversight bodies

8. In 2008, the Internal Audit Office coordinated its internal audit work with the United Nations Board of Auditors (which carries out the external audit of UNOPS), and made its results available to the Board throughout the year. The Internal Audit Office annual planning process also included consultation with the Board.

9. As appropriate, the Internal Audit Office coordinates its work with the Office of Internal Oversight Services and with internal audit services in other United Nations organizations.

III. Approved annual internal audit work plan for 2008

10. The 2008 work plan was based primarily upon the overall objective of assisting the Executive Director in having assurance that internal controls and procedures function as envisaged. The work plan contained detailed discussion on the planning approach, objectives, risk assessment, areas to be covered, nature of audit services, operating budget and transition arrangements. It was drawn up considering the recent developments and issues effecting UNOPS internal systems and business. For details, please refer to the 2008 annual internal audit work plan, which was approved by the UNOPS Executive Director in March 2008 and presented by the UNOPS head of audit to the Executive Board at its annual session 2008. The Internal Audit Office completed its 2008 work plan, as scheduled.

IV. Internal audit risk-assessment model

11. In preparing the work plan for 2008, the Internal Audit Office refined its risk assessment model for UNOPS to ensure consistency between internal audit priorities and the goals of UNOPS management. Having a model for risk assessment has become essential, given the diversity and range of UNOPS operations worldwide, the wide scope of internal audit coverage and the limited staff resources.

12. The risk assessment model and approach the Internal Audit Office takes in developing its annual work plan has been presented to the Strategy and Audit Advisory Committee for its review and comments during 2008. The Strategy and Audit Advisory Committee has commended the Internal Audit Office on the implementation of its 2008 work plan and also on the 2009 annual work plan, based on its risk assessment model.

V. Highlights of activities during 2008

Internal Audit Reports issued

13. During the year ending 31 December 2008, 40 audits were completed by the Internal Audit Office and submitted to the UNOPS Executive Director. Compared with 2007, the number of audit reports issued increased by 67 per cent from 24 in 2007 to 40 in 2008.

14. As seen in table 1, of the 40 audit reports issued in 2008, 11 expressed an audit opinion on the financial situation of related projects and also provided a rating on

internal control compliance; six expressed an opinion on the financial situation only, 20 provided a rating on internal control compliance only, and three did not provide any audit opinion or rating, as they related to an investigation or other specific issue. Two audits were ongoing as at 31 December 2008.

Table 1: Number of audit reports issued – 2007 and 2008

	2007	2008
Audit reports issued expressing an opinion on the financial situation and rating of the internal control environment	6	11
Audit reports issued expressing an opinion on the financial situation only	10	6
Audit reports issued expressing an opinion on internal control	7	20
Audit reports issued without any opinion	1	3
Total audit reports issued	**24**	**40**

15. In line with Executive Board decision 2008/13, and as shown in table 2, by 31 December 2008, of the 17 audit reports issued with an audit opinion of a project's financial situation, 10 (59 per cent) included an unqualified opinion and seven (41 per cent) received qualified opinions, compared with 62 per cent in 2007. Furthermore, of 31 audit reports issued with a rating of their internal control compliance, 10 (32 per cent) were rated as satisfactory; 20 (65 per cent) as partially satisfactory; and just one (3 per cent) as unsatisfactory.

Table 2: Summary of 2007/8 audit opinion and rating of internal controls

Type of opinion or rating	Number of audit reports		Percentage to total	
	2007	2008	2007	2008
1) Audit opinion on project's financial situation				
Unqualified opinion	6	10	38	59
Qualified opinion	10	7	62	41
Disclaimer	0	0	0	0
No opinion	0	0	0	0
Total	**16**	**17**	**100**	**100**
2) Rating of overall level of internal control				
Satisfactory	3	10	23	32
Partially satisfactory	8	20	62	65
Unsatisfactory	2	1	15	3
Total	**13**	**31**	**100**	**100**
3) Not provided[1]	1	3	n/a	n/a

16. Results showed that the share of 'unqualified' opinions on project financials and 'satisfactory' ratings of internal controls increased by 21 per cent and 9 per cent respectively. Furthermore, only one UNOPS office was subject to an internal audit in 2007; this increased to eight different locations in 2008, including six operation centres classified as high risk, as well as two regional offices. Standard audit

[1] The report(s) did not contain any opinion on the financial statements or any rating on the internal control compliance as they are focused on specific issues, such as an investigation, management assessment exercise, and an audit certificate required by a particular client.

coverage includes an assessment of functional areas such as procurement, organizational structure, business development activities, asset management, general administrative management, financial operations, and human resources management.

Analyses of audit recommendations issued in 2008

17. Pursuant to the Executive Board decision 2005/19, the Internal Audit Office analyzed each of the recommendations issued during 2008. The 40 audit reports issued generated 587 audit recommendations. However, one audit report[2] contained six recommendations, which are not categorized, leaving 581 audit recommendations to be analyzed. Additionally, one audit report[3] contained two recommendations, which are not categorized by cause or by area. It is noted that one recommendation may have more than one cause or more than one functional area. The analysis for 2008 audit recommendations consists of 581 recommendations that can be analyzed by importance, 632 by cause, and 588 recommendations can be analyzed by frequency of occurrence in a functional area.

18. The number of recommendations significantly increased in 2008, from 115 to 581 recommendations (505 per cent). This should not, however, be taken as indicative of a trend of weakening internal controls or increase in the level of risk, but rather, due mainly to increased audit coverage by the Internal Audit Office.

Prioritization of audit recommendations by importance

19. Of the 581 audit recommendations issued in 2008, 199 (34 per cent) are considered high importance, 292 (50 per cent) are of medium importance and 90 (16 per cent) are low importance. The categorization used is based on the definitions[4] of the level of importance used by the UNDP Office of Audit and Investigation, as approved by the Executive Board, and formally adopted by UNOPS Internal Audit Office during 2008.

Table 3: Prioritization of audit recommendations

By importance	Number of recommendations		Percentage to total	
	2007	2008	2007	2008
High	32	199	28	34
Medium	60	292	52	50
Low	23	90	20	16
Total	**115**	**581**	**100**	**100**

Cause of audit issues

20. Inadequate (or lack of) supervision and absence of written procedures to guide staff in performing their functions (34 per cent and 30 per cent respectively) are the main causes of the audit issues addressed in 2008 audit reports. The other causes are failure to comply with prescribed UNOPS regulations, rules and procedures (22 per cent), human error (9 per cent) and insufficient resources (5 per cent).

21. In 2007, audit recommendations stemmed from non-compliance issues. In 2008, this shifted towards guidance and guidelines issues. The Internal Audit Office

[2] Audit report number Internal Audit Office/2008/AR/106 was an Audit Communication Letter.

[3] Audit report number Internal Audit Office/2008/AR/130

[4] Definitions per DP/2007/38: 'High' – action considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization); 'Medium' – action considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences); 'Low' – action that is considered desirable and should result in enhanced control or better value for money.

views this as a positive sign, as it suggests a general shift of risks within the organization from compliance-based issues to operations-based issues. The Internal Audit Office 2009 work plan is in line with this trend, emphasizing more functional audit areas.

Table 4: Audit recommendations by cause of audit issue[5]

By causes	Number of recommendations		Percentage to total	
	2007	2008	2007	2008
Compliance	50	137	43	22
Guidelines	20	188	17	30
Guidance	36	217	31	34
Human error	5	55	4	9
Resources	4	35	3	5
Total[6]	**115**	**632**	**100**	**100**

Frequency of occurrence of audit recommendations by area

22. Further analysis of audit recommendation by frequency of occurrence by area has been made. As shown in table 5, 208 of 588 (35 per cent of the total) audit recommendations related to the area of finance, 113 (19 per cent of the total) to project/programme activities, 75 (12 per cent of the total) to human resources, 71 (12 per cent) to general administration (including assets), 46 (8 per cent of the total) to procurement and 34 (6 per cent) to organization. The other 41 (8 per cent) relate to other areas such as general policy, management of implementing partners, information technology, and business development.

23. Compared with audits in previous years, the areas that appear to require the most improvement remained essentially the same. The Internal Audit Office responds to this trend with a separate risk assessment for each location to be audited during its planning stage, thus ensuring an audit work programme tailored to each location.

Table 5: Audit recommendations by area

By area	Number of recommendations		Percentage to total	
	2007	2008	2007	2008
Human resources	2	75	2	12
Procurement	3	46	3	8
Finance	55	208	50	35
General administration (including asset management)	14	71	13	12
Project/ programme activities	27	113	24	19
Information technology	0	12	0	2
General policy	2	15	2	3
Organization	7	34	6	6
Management of implementing partners	0	10	0	2
Business development	0	4	0	1
Total[7]	**110**	**588**	**100**	**100**

[5] Definitions per DP/2007/38: 'Compliance' – failure to comply with prescribed UNOPS regulations, rules and procedures; 'Guidelines' – absence of written procedures to guide staff in performing their functions; 'Guidance' – inadequate or lack of supervision by supervisors; 'Human error' – mistakes committed by staff entrusted to perform assigned functions; 'Resources' – insufficient resources (funds, skill, staff) to carry out an activity or function.

[6] In some instances, one audit recommendation has two or more causes.

[7] In some instances, one recommendation has two or more areas of categorization.

VI. Significant issues noted by, or impacting, the Internal Audit Office during 2008

Executive office support

24. The Internal Audit Office acknowledges the continuing support of the UNOPS Executive Office in terms of fruitful engagement during the conduct of its work, administrative support of the office within UNOPS and beyond, and the provision of an adequate administrative budget to fund its operations.

Overall assessment of internal controls

25. Based on the results of the internal audit reports issued during 2008, it is indicated that UNOPS does not have significant gaps in its internal controls, but rather that such controls are not being fully complied with and/or understood. This is reflected in and monitored by the Internal Audit Office through the issuance of the audit recommendations during 2008.

26. It is not yet clear to the Internal Audit Office whether this is due to one particular systemic weakness, or a combination of factors that may include, *inter alia*: lack of proper training in the application of standard rules and regulations; insufficient oversight and accountability; or outdated rules and regulations not aligned to the current UNOPS operating environment. Such analysis is supported by the information presented in table 4.

27. The Internal Audit Office continues to bring compliance issues to the attention of UNOPS management and is encouraged by the progressive response of UNOPS management in tackling such issues.

Decentralization

28. UNOPS continues to promote a strategy of decentralization at all levels throughout the organization. The Internal Audit Office considers this generally important given the benefits it brings in terms of greater efficiency, staff motivation and client responsiveness, provided it is accompanied by adequate accountability mechanisms.

29. Accordingly, the Internal Audit Office is cautious about the potential impact on the internal control environment, particularly where it has been shown in 2008 that a majority of audit recommendations arose due to a lack of compliance with established procedures and regulations and improper oversight.

Organization structure

30. The Internal Audit Office informed UNOPS management and the Strategic and Audit Advisory Committee during 2008 that there appeared to be inconsistencies regarding the implementation/structure and management of its regional offices and operation centres.

31. Furthermore, in line with observations made by the Internal Audit Office, UNOPS management also recognized that some locations identified as operation centres in 2008 were odds with the definition of such centres. This may have been due to the small size and low number of projects, for instance. Therefore, the Internal Audit Office notes the introduction of 'Organizational Directive 06' that adds an additional layer of structure to UNOPS. This additional and lowest layer of structure contains locations that will now be defined as project centres. The Internal Audit Office will adjust its work planning for future periods accordingly.

32. The Internal Audit Office is supportive of this new structuring but will be assessing the terms of reference of the operation and project centres during 2009, and also the terms of references of the directors and managers to head such locations, as this will determine how each will actually operate in the future.

Financial sustainability

33. The Internal Audit Office noted in two reports issued during 2008 that certain locations need to consider the longer term sustainability of maintaining a UNOPS presence based on underperformance in 2008 and inadequate business acquisition initiatives in place for future years. Given the self-financing structure of UNOPS, this remains a recurring aspect of managing UNOPS.

International public sector accounting standards implementation

34. UNOPS is scheduled to move from the use of the United Nations system accounting standards to that of the international public sector accounting standards (IPSAS) in preparing its financial statements from 1 January 2010.

35. The Internal Audit Office notes the cautionary circular issued by the United Nation Board of Auditors in January 2009 on the general preparedness of all applicable United Nations organizations and its concern given the size of the task and the time remaining. The Internal Audit Office considers this caution applicable to UNOPS as well, despite the implementation strategy of management. UNOPS has established a project board and management team to oversee this process. The Internal Audit Office concurs with the pragmatic and structured approach of the project board in implementing IPSAS, but remains concerned about time constraints and the need to conduct a significant and in-depth training programme across the organization to support the process.

36. The Internal Audit Office participates in project board meetings on an advisory basis and will provide quality assurance reports to the UNOPS Executive Director during 2009. The Internal Audit Office also notes the request of the Executive Board to have UNOPS management present a status of IPSAS implementation at its annual session 2009.

Change programme

37. The Internal Audit Office notes and welcomes the commencement of the UNOPS change programme in 2008. The change programme is focused on five key areas of UNOPS operations: investing in people; project management practices; IPSAS implementation; quality management certification (ISO 9001:2008); and clarifying the role of UNOPS in the United Nations system. Given the terms of reference approved for each category, the programme can be expected to address many issues noted by the Internal Audit Office to date. It will be monitoring progress accordingly.

Human resources initiatives

38. The Internal Audit Office continues to note with concern the relatively high level of staff and personnel turnover within UNOPS – approximately 25 per cent in recent years. UNOPS management responded in 2008 with a number of human resources initiatives, including a revision of the general policy framework, guidelines governing the issuance and management of individual contractor agreements, communication of the improved financial health of the organization, and a significant post analysis and reclassification, the latter being presented and approved by the Executive Board in January 2009 (DP/2009/7).

39. The Internal Audit Office notes with concern the poor completion rates of individual performance review appraisals in 2007 and 2008. Management recorded a completion rate of less than 10 per cent in both years. The Internal Audit Office feels that the operation of a widely used and completed performance review appraisal cycle is central to many initiatives an organization would wish to implement with respect to its personnel. The office is keen to note a significant improvement in the performance review appraisal completion rate in 2009.

Implementation of individual contractor agreement guidelines

40. The Internal Audit Office notes that 2008 was the first year UNOPS used its single individual contractor agreement guidelines. The Internal Audit Office commenced an internal audit of the implementation of this contract modality in late 2008; results of this audit will available to UNOPS management in April 2009.

Increased audit coverage of significant programmes implemented by UNOPS

41. The Internal Audit Office noted that, until 2008, many of the larger programmes managed by UNOPS were subject to minimal or no audit coverage. Such programmes include the mine action programme implemented on behalf of United Nations Mine Action Service and UNDP, and the small grants programme implemented on behalf of UNDP.

42. A structured, risk-based audit approach and coverage has now been established for both programmes by the Internal Audit Office and UNOPS management, with field work commencing in January 2009. Reports on the results of such audit programmes will be provided to the Executive Board in future.

Multi-donor trust funds

43. In 2008, UNOPS was appointed manager of the enhanced integrated framework trust fund, being managed from the UNOPS Geneva office. This area of service may grow as part of the UNOPS portfolio in coming years. The Internal Audit Office will follow the auditing framework developed by the United Nations Development Group heads of audit sub-committee in maintaining due audit coverage of such portfolios in future.

Regional audit committees

44. The UNOPS regional office in the Asia and the Pacific region established an audit oversight committee in late 2008. Its role is to coordinate management responses to all related audit recommendations and promote greater awareness of internal control issues throughout the region. This mirrors a similar structure in UNOPS headquarters. The Internal Audit Office welcomes this development and encourages the remaining UNOPS regional offices to follow suit in 2009.

New financial regulations and rules

45. The Internal Audit Office is pleased to note the adoption of new UNOPS financial regulations and rules (DP/2009/4) and the subsequent presentation to, and approval by, the Executive Board at its first regular session 2009. These new financial regulations and rules entered into effect 1 February 2009 and the Internal Audit Office will adjust its audit approaches and programmes accordingly. This is a significant and positive development towards enhancing the overall internal control environment given that the rules now better reflect the current and predicted operational environment.

Disclosure of internal audit reports

46. The Internal Audit Office notes the Executive Board decision 2008/37 that took note of the UNOPS accountability and oversight policies (DP/2008/55), including approval of the accountability framework and oversight policies set out therein. In this regard, it recognizes the confidential nature of internal audit reports and the procedures approved by the Executive Board that allows disclosure of internal audit reports when a request is received by a Member State.

United Nations Board of Auditors report

47. In the report of the Board of Auditors on UNOPS financial statements for the biennium ended 31 December 2007 (A/63/5/Add.10), the Internal Audit Office notes three matters of emphasis and their impact on planning and undertaking of internal audits:

(a) Asset management remains a constant focus for all audits conducted by the Internal Audit Office;

(b) The Internal Audit Office notes the continued un-reconciled current account balance between UNOPS and UNDP and other United Nations organizations, but feels it is equally important to assess measures in place to avoid un-reconciled differences in the future – this will be assessed in 2009; and

(c) The proper recognition of revenue will further increase in importance during 2009 and 2010 with the implementation of IPSAS.

Reliance on the work of the Internal Audit Office by the United Nations Board of Auditors

48. The Internal Audit Office feels that coordination and cooperation between its office and the Board of Auditors as the UNOPS external auditor is paramount. The office will ensure all audit recommendations issued by the Board of Auditors related the Internal Audit Office are addressed in a comprehensive and timely manner. It is important to the Internal Audit Office that the Board of Auditors relies on its work in the 2008 and 2009 biennium and beyond.

Long term agreements for the provision of auditing, accounting and advisory services

49. As noted in 2008, with the increasing trend in the requirement by funding entities to include an audit requirement in project agreements with UNOPS, there is a significant increase in the internal audit workload, particularly in the following areas: (a) Proactively advising operational units; (b) Coordinating the outsourcing of audit services; (c) Supervising and monitoring the work of audit firms and consultants; and (d) Ensuring quality audit reports.

50. Accordingly, during 2008, the Internal Audit Office supported the establishment of long-term agreements for the provision of auditing, accounting and advisory services with six professional firms across all five UNOPS regions. Such an approach will improve the efficiency, accuracy and timeliness of project audits, and subsequently reduce coordination times between the Internal Audit Office and UNOPS management, freeing-up capacity for other activities.

VII. Advisory services

51. Advisory services cover a wide range of issues relating to internal control concerns, proposed policies, organizational directives, business processes, proposed

agreements, delegations of authority and specific issues that management may request. During 2008, the Internal Audit Office continued to render a number of such services, which included providing comments on policies and procedures. Significant examples include advice on the following: new financial regulations and rules of UNOPS (DP/2009/4); draft procurement strategy; input to the review of UNOPS operations and visit by the United States Government Accountability Office; risk management framework; the UNOPS accountability framework; and management of fraud allegations and conduct of investigations.

52. The UNOPS Internal Audit Office continued to assist in reviewing proposed project agreements containing audit clauses to ensure such clauses are in accordance with the financial regulations and rules and recommend actions to address such audit requirements.

53. It is important to underscore that the role of the Internal Audit Office is in an advisory capacity only and not as a participant in the implementation of any procedure.

VIII. Single audit principle

54. The Internal Audit Office continues to follow the principles of maintaining the integrity of the United Nations 'single audit principle' as detailed in the report of UNOPS on internal audit and oversight in 2007 (DP/2008/12) presented to the Executive Board at its annual session 2008.

IX. Operational issues

Staffing and training

55. The Internal Audit Office had capabilities in English, French and Arabic, during 2008 and in the course of 2008, its members began acquiring proficiency in Spanish. The Internal Audit Office received training in numerous operational issues in 2008, *inter alia*: fraud detection in procurement and human resources; management of the acquired automated audit application; IPSAS implementation issues for internal auditors; and conducting investigations.

56. The Internal Audit Office was fully staffed throughout the year, with one head, one senior internal auditor, and three internal auditors. In late 2008, one internal auditor left the organization; the recruitment process to fill the vacancy is underway.

Online issue tracking system for the follow-up of audit recommendations

57. To assist the Internal Audit Office and UNOPS management following up with the implementation of audit recommendations, the Internal Audit Office acquired an automated application – 'AutoAudit' – in 2008 to facilitate tracking and updating of audit recommendations through a web-based tracking system. This system is expected to be fully operational by mid-year.

Internal audit manual

58. The Internal Audit Office instituted standard operating procedures and work methods since commencing work in 2008. To that end, the Internal Audit Office has constructed an internal audit manual and toolkit, including audit templates and work programmes, for use in 2008 and beyond. These are fully based and compliant with the applicable professional standards issued by the Institute of Internal Auditors.

Communication within the United Nations oversight functions

59. In 2008, the Internal Audit Office established channels of communication with other oversight groups in the United Nations, particularly with the Office of Internal Oversight Services and the Board of Auditors, to understand latest trends and developments in the United Nations oversight community. The head of the Internal Audit Office also participates actively in the annual meeting of representatives of the internal audit services of the United Nations system organizations.

Involvement with professional bodies

60. The Internal Audit Office has established formal ties with the Institute of Internal Auditors, to whose standards it adheres. Furthermore, it has become an active member of the Danish chapter of the Institute and participates in several seminars, presentations and technical events.

Administering the audit requirements of projects/agreements

61. The Internal Audit Office is responsible for, and was involved in administering, the completion of the organization's mandatory audit requirements for specific projects reflected in the consolidated activity report for 2008.

X. Investigations

62. In its anti-fraud policy statement, UNOPS indicated that complaints and allegations can be referred to the UNDP Office of Audit and Investigation, to the Office of Internal Oversight Services, or to the UNOPS Internal Audit Office for investigation. The Internal Audit Office has assisted in redrafting 'Organization Directive 10' by submitting comments on the UNOPS policy to address fraud to the general counsel before its issuance by the Executive Director.

63. The Internal Audit Office follows its succinct manual for UNOPS investigations, prepared in 2008 when requested to support investigations by the Executive Director. The Internal Audit Office was involved in three investigations in 2008, as requested by the general counsel and approved by the Executive Director.

XI. Summary of follow-up of 2005, 2006, 2007 and 2008 audit recommendations

Implementation of audit recommendations

64. In line with the standard for the professional practice of internal auditing, which requires "a follow-up process to monitor and ensure that management actions have been effectively implemented"[8], and in order to address the Executive Board decision 2006/13, the recurring annual work plans of the Internal Audit Office include a follow-up review of audit recommendations on a minimum six month basis. In addition, for each UNOPS office or project audited, management will be required to provide a follow-up action or activity report addressing each audit recommendations, six weeks after receipt of the final audit report. The most recent follow-up of previous audit recommendations with UNOPS management was completed in early 2009.

65. The Internal Audit Office requested that management provide written responses to audit recommendations contained in audit reports, including action

[8] Institute of Internal Auditors, performance standard 2500 – monitoring process

taken (or contemplated) to implement recommendations. Desk reviews were performed on its comments and supporting documents, whenever available.

Implementation of audit recommendations made in 2008

66. The 2008 audit reports contained 587 audit recommendations for improving internal controls and organizational efficiency and effectiveness. Table 6 shows that the status of completed implementation as at 31 December 2008.

Table 6: Status of implementation of audit recommendations – 2008

Status	Number of recommendations	Percentage
Implemented	209	36
In progress of implementation	317	54
Not implemented	61	10
Total	**587**	**100**

Implementation of previous years audit recommendations

67. In the report on internal audit and oversight (DP/2008/21), the Internal Audit Office reported that 66 audit recommendations from previous years were being implemented, while 13 recommendations were not.

68. The follow-up review showed that as at 31 December 2008, the implementation rate for 2007 audit recommendations was 72 per cent, for 2006 audit recommendations was 77 per cent, and for 2005 audit recommendations was 96 per cent.

Table 7: Status of implementation of audit recommendations – 2007

Status	Number of recommendations	Percentage
Implemented	104	72
In progress of implementation	31	21
Not implemented	10	7
Total	**145**	**100**

Table 8: Status of implementation of audit recommendations – 2006

Status	Number of recommendations	Percentage
Implemented	58	77
In progress of implementation	16	22
Not implemented	1	1
Total	**75**	**100**

Table 9: Status of implementation of audit recommendations – 2005

Status	Number of recommendations	Percentage
Implemented	150	96
In progress of implementation	6	3
Not implemented	1	1
Total	**157**	**100**

Key and/or most recurrent audit issues and those unresolved for 18 months or more after the most recent follow up of audit recommendations with UNOPS management

69. Annex 1 lists the recurrent and/or high priority audit recommendations issued in 2008. Annex 2 lists audit recommendations unresolved for more than 18 months as of 31 December 2008, including comments on their current status.

70. The percentage of outstanding audit recommendations unresolved for 18 months or more, when compared to the total unresolved audit recommendations at that date, was 4.6 per cent and 18.84 per cent as at 31 December 2007 and 31 December 2008, respectively. This is reflective of the significant increase in total audit recommendations issued during 2008 (505 per cent over 2007).